

TEACHERS' RETIREMENT BOARD
EXECUTIVE COMPENSATION COMMITTEE

SUBJECT: Exempt Pay Structure

ITEM NUMBER: 4

ATTACHMENT(S): 2

ACTION:

DATE OF MEETING: November 8, 2001

INFORMATION: X

PRESENTER: Peggy Plett

A. Status of CEO Compensation Request

Staff sent a follow up request to DPA, dated October 12, 2001, (attached), again asking for consideration of the Board approved base pay adjustment for the CEO position. Ms. Plett will provide an update at the meeting.

B. Compensation Comparison Report

Staff has contracted with Watson Wyatt Worldwide to conduct a compensation study for all CalSTRS exempt positions. The Compensation Philosophy Questionnaire will be sent under separate cover. Mr. Rick Beal and Mr. Ron Keimach will be present at the meeting to facilitate a discussion of the questionnaire. The resulting information will be used to develop the compensation philosophy and criteria for the Compensation Study.



October 12, 2001

Board Members

Gary Lynes, Chair

George Fenimore

Paul Krasnow

Marty Mathiesen

Karen Russell

Jay Schenirer

Carolyn Widener

Marty Morgenstern, Director
Department of Personnel Administration
1515 S Street, North Building, Suite 400
Sacramento, CA 95814-7243

Dear Mr. Morgenstern,

This letter is in follow up to our September 13, 2001, letter requesting salary realignment for CEO position. As detailed in the previous letter, we are requesting to increase the base range for the CEO position to \$135,000 to \$160,000 effective January 1, 2002. We have yet to hear a response from you or your department staff.

Ex Officio Members

Superintendent of Public Instruction
Delaine Eastin

State Controller
Kathleen Connell

State Treasurer
Philip Angelides

State Director of Finance
B. Timothy Gage

At their October 10-11, 2001 meeting, the Teachers' Retirement Board (TRB) directed us to again pursue the salary increase issue with you, as our recruitment efforts to attract top candidates for our vacancy have been impacted.

We believe that the information provided supports our request and provides you with enough information to initiate some dialogue between us. We are available to clarify any information contained in the September 13, 2001 letter, or provide additional information as necessary.

Chief Executive Officer
James D. Mosman

We recognize that Labor/Management negotiations have been a priority; however with the break in negotiations, perhaps you can address our request. Your expeditious response is appreciated, as we continue to recruit for our CEO position.

Please contact Peggy Plett, DCEO Administration at 229-3900 or at Pplett@CalSTRS.ca.gov.

Sincerely,

/s/

JAMES D. MOSMAN
Chief Executive Officer



Compensation Philosophy Discussion

Watson Wyatt will facilitate a discussion about the CalSTRS exempt staff on the following questions at the November Board Meeting. Your input will provide guidance for Watson Wyatt's pay research.

1. Who would you define as CalSTRS's **external people competitors** (i.e., the market for talent)? Are there different competitors for different parts of the organization?
 - For Executive Management
 - For Investment Management
2. Are CalSTRS's exempt jobs **similar or dissimilar** to jobs in these organizations?
 - Are the responsibilities different? Does size add complexity?
3. How competitive does CalSTRS need to be to attract, retain and motivate key employees (eg. At the median of the market, above the median or below the median)?
 - If above or below the median what percentile should be targeted (e.g. 25th, 40th, 60th or 75th)
 - Should the position vary by type of compensation (e.g. median for salary and 75th percentile for salary plus bonus)?
 - Should the position vary by type of job (e.g. median for executives and 75th percentile for investment managers)?
4. Are **incentive/bonus plans** an important part of compensation for CalSTRS's key exempt employees?
5. How much of an employee's pay should be at risk? Should this percentage vary with the types of jobs and functions (e.g. executives and investment managers)?